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ORAL HISTORY TRANSCRIPT

Prof. Ludwig Erhard

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ORAL HISTORY PROJECT

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Sd/-
(Ludwig Erhard)

SIG. ______________________

DATE 3.4.1973

Bio-data

Erhard, Ludwig; German economist and politician; b. 4 February 1897, Fuerth, Bavaria, educ: Handelshockschule, Nuremberg and Univ. of Frankfurt; Federal Minister of Economic Affairs (1949-63); Deputy Federal Chancellor (1957-63); Federal Chancellor (1963-66).

Main points covered in the interview.

Interest in Indian affairs before the Second World War; impressions of Nehru; on development aid; Indian problems and plans; policy of non-alignment and Nehru; Nehru's attitude towards Germany.

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Oral History Interview
with
Prof. Ludwig Erhard
Bonn, W. Germany
28 October, 1971
by
Shri B.R. Nanda
for The Nehru Memorial Museum & Library

Shri B.R. Nanda May I ask you Sir, about your interest in Indian affairs before the World War?

Prof. Ludwig Erhard Of course, I too have been interested in Indian affairs before the war, but this interest was merely of an intellectual nature, or historical nature, but not of a political nature.

Nanda Did you feel any impact of the Indian national movement under Gandhi and Nehru, in Germany?

Erhard Of course, I was aware of developments in India at that time. This was already a period when things were developing to a great state of maturity, and this was a phase of political developments which also touched Germany, both in the good and in the evil sense and when Germany also played some role. I particularly remember my first meeting with Prime Minister Nehru. This was back in 1958, on the occasion of a meeting of the World Bank, and the Monetary Fund, that took place in New Delhi at that time, the meeting that was opened by Prime Minister Nehru.

At that time, I met him personally for the first time, and after the meeting was over, I spent a few days there in Delhi, as the official guest of the Indian Government. I stayed in the palace of the President, and I had several occasions to have talks with Prime Minister Nehru.

Nanda May I request you to give your recollections of your first impressions of Mr. Nehru?

Erhard This was the first time I saw Prime Minister Nehru, and I still see him before my eyes, in the usual way with this typical Indian dress and with a red flower in his button-hole, and I was impressed by his, let me put it, gracious figure, very slender figure; but on the other hand he conveyed the impression of a strong man, of a strong personality, to me. Now a gracious figure and this impression of a manly figure does not always go easily together, but in Prime Minister Nehru, it fitted very well; it was no contradiction. And then I was also impressed by the clearness of what he said and by the strength of conviction which was expressed in his remarks, and this was the first impression I had of him at that time back in 1958, and this continued to be the impression I had in later meetings with him.

Nanda Your meetings in those days, I believe, related mostly to economic and financial matters?

Erhard Well, certainly, economic and financial questions played a prominent role in our conversations. But these conversations took place in a wider political framework. Of course, they were embodied in this wider political framework; there were such questions as of economic policy, financial matters, development assistance and cooperation. At that time, the plant in Rourkela was under construction and it was about to be completed, and this, of course, figured prominently in our conversations. And the conversations I had with him also gave me a somewhat clearer idea of the personality of Nehru. I was aware that here I was faced with an Indian patriot who fought for the independence of his country and who knew where his roots were, roots from which his strength and his convictions came, but on the other side he did not forget, he never forgot, in spite of all his efforts and his fight for Indian independence and for Indian development, how much the country owed, for example, to the administrative system introduced by the British. So he was very clear in his judgment and I would say completely unbiased.

Nanda Did you have an opportunity of travelling in India at that time and seeing some of the Indian projects, apart from the German projects which were under way?

Erhard When I think of the size of India, I must say what I have seen was rather incomplete and was only a very, very tiny sector. I was in Aligarh, where I was awarded an honorary doctorate by the Muslim University. I also did some sight-seeing. I saw the Taj Mahal, for example. I saw Calcutta; and of course, I went to Rourkela. Well, this, as I said, is a very small section of India, this enormous country.

Nanda Did you have discussions with the Prime Minister on the Five-Year Plans or with the Planning Commission on India's projects, for industrial and agricultural growth?

Erhard Well, I had a meeting with the Planning Commission. Of course, I remember that and wherever I travelled, there was the question of various development plans, be that the four-year plan, five-year plan, ten-year plan, they were discussed and that applied as well to India. But, of course, I do not remember in detail what we discussed at that meeting but we also discussed the system of development aid, because, as you may

remember, originally, development aid was made available on a completely free and untied basis; the funds that were made available by the donor countries could be freely used in whatever way the country concerned so decided. There were no ties attached to it. So the Government concerned, the receiving government, could freely decide where it would place orders and so on. Well, at that time, some changes in the system began to occur, and I remember in those years, three countries were at the same time constructing steel mills in India. I think it was the United States; it was the Soviet Union, and it was Germany the Federal Republic, and each of these countries, of course, tried to leave, let me put it that way, a very good visiting card in India. Now, as you may also remember, we had initially some difficulties with Rourkela, because Rourkela was a highly sophisticated plant, a highly sophisticated steel mill, equipped with the most modern machinery and this was the reason for some initial difficulties. But, in the meantime, I was very pleased to hear that Rourkela had become the best of the steel mills operated in India.

I also remember that at that time I discussed the principles of development assistance with Prime Minister Nehru. We did not discuss the details concerning Rourkela, but we discussed the broad guiding principles which were applicable to the granting of development aid and assistance and which should, as we thought, take into account the peculiar position in which the receiving country found itself. I then felt, and I still do so today, that perhaps the initial plans may have been a bit too ambitious, one started at too high a level. With big enterprises, gigantic plants, so to speak, one started to build the cathedral first in an area which was all empty and I felt one should, perhaps, have made a start at a somewhat lower level, at the bottom so to speak, and with more modest projects, for example in the field of handicrafts, of training, of establishing handicraft schools and training centres, in order to convey the technical knowhow, and in this way to broaden the basis on which the development of the country could take place before one started to establish national monuments, so to speak, in the economic sector. Though these huge plants were, of course, important for India from the point of

view of the balance of payments, but, as a method, as an approach to development assistance, they seemed to me somewhat doubtful. I do not think that I have changed my views as regards that, and the experience shows that the emphasis has somewhat shifted in development aid, towards this particular aspect I mentioned, conveying the knowhow, training people, in order to broaden the basis on which the development of the economy of a country concerned, could be carried on.

Nanda I quite appreciate your criticism of the size of the plans. They might have been more ambitious than they should have been. On the other hand, with the population of the country growing, as it has been, it was a race against time and the fact was that even with this, what seemed to be an ambitious plan, it was hardly possible to keep up the standards of living, far from appreciably raising it. The other point is that India, like many other countries of Asia, owing to factors beyond her control, did not pass through the Industrial Revolution and when the British left, there was hardly any infra-structure for industrialisation, and some basic industries were necessary in order to give a start to India.

Erhard I think it would be idle to have a dispute or discuss the question now, whether it was right at that time to take this approach or that approach, but I remember, the question was discussed at that time, and we were aware in our discussions that these problems did exist. I am also aware that Mr. Nehru made this point himself that it is extremely difficult to govern a country comprising a population of several hundred millions, and he himself told me, when he was travelling in the country, that he himself did not understand all the languages that were spoken in the different parts of the country and that he had sometimes to make use of an interpreter in order to understand the language or the idiom concerned. It is quite understandable that this brings up extremely difficult administrative problems. And when I said we discussed these aspects of development assistance, I did not mean to convey the idea that we entered into a dispute. It was a rather philosophical approach and we were aware, as I was travelling in the country, and I saw something of the living conditions of the farming population, people in the country, the poverty there, and that is why I felt it may have been a more appropriate approach to try and start on a broader basis and, perhaps,

more modestly, gradually to improve and raise the standard of living, than to establish very modern, very sophisticated plants which employ only very few people. What was needed in India, as in other countries, was to find an approach which would enable as many people was possible to increase their income. Another aspect of this problem is that in our time there is no longer any isolation. The world has become smaller; everybody knows, what is going on with his neighbour, and even if he lives on the other side of the world, it takes only a few hours to travel by plane from one country to the other and that makes it possible for people to compare the situation, to compare living conditions and so, quite naturally, they wonder why should we, for reasons which were beyond our control, live under conditions, which are much harder than in other countries. This is not our fault. These questions are in the minds of the people and that was one element which struck me very much in the conversation with Mr. Nehru in spite of his sober-mindedness, of his cool approach to the problems, there was always this philosophic background. He always tried to penetrate deeply into the problem and to unearth his philosophic roots, so to speak. He was certainly

a man who dedicated all his time and all his thinking to what was necessary at the moment, to the requirements of the day, but not without losing sight of this philosophic, intellectual background. And this I think is a very important element in the world situation, because what was needed in India at that time were people - and one prominent figure among them was Nehru with his charisma - people who inspired confidence and trust and faith in the people who followed them.

Nanda You rightly said, Sir, that Mr. Nehru had a larger view, a larger vision, a philosophical approach to the problems of his country. If I may say so, he was not always thinking of his own country; he was thinking in the larger context of Asia, Africa and, in fact, of the world and many of the things which he was wanting to do in his own country, struck him as possible lines of approach for other newly liberated countries. His policy of non-alignment, apart from its other implications, was intended to buy time for social and economic reconstruction of these newly liberated countries, and I am sure, this larger aspect of India's economic problem was very much in his mind. Did you have any feeling, when you were talking to him, about these matters, because

this touched Indo-German co-operation, in fact India's cooperation with the other countries of the West?

Erhard Naturally, these problems and these aspects were also touched upon because one must have one firm standpoint, so to speak, from which one may look at the situation which is in a constant process of flux; conditions change; conditions have changed in the mean time, but the problem of non-alignment did not play any important role in our discussions at that time because we, from the German side, have never made the slightest attempt to induce India to give it up or to move to one side or to the other - to move away from this concept of non-alignment. We have fully respected this policy of non-alignment and the question of, to give you an example by way of illustration, of the recognition of the G.D.R. was not on the agenda. This question was not due at that time. When non-alignment meant that peoples and nations should live under the principles of the Charter of the United Nations, and the non-aligned countries were, at that time, about to gain for themselves a very important posture in world politics, and they still have this important place on the world political scene. India is playing a central role, has always played

an important role, within that group of non-aligned countries, and this concept and the idea was so clear and self-understood that we did not consider it necessary at that time to discuss it, and this was considered to be absolute neutrality and that was respected.

As regards the G.D.R., this was not discussed either because at that time, the question, as I said, was not due and we did not feel that India could think in terms of recognising the G.D.R. under the conditions then prevailing, nor did we feel that there was any inclination. Well, I understand that today the situation may have somewhat changed.

I think one can say that Mr. Nehru has put his personal mark, so to speak, on this group of non-aligned countries because of the very, very strong moral quality he represented, because of his integrity and his determination to live between the blocs and in absolute neutrality and this had a very strong influence on developments in the whole area of South East Asia. I think Nehru was the only one, who has so convincingly demonstrated in his personal life that he had no alignment.

__Nanda__ I am glad, Sir, you mentioned the

moral aspect of this concept. If you permit me, I would recall that 11 months, I should say, about nearly a year before India became independent, Mr. Nehru was asked to form an interim government by the British Government of India - by the Viceroy. He was called the Vice-Chairman of the Executive Council of the Viceroy. The complete transfer of power had not yet taken place. But Mr. Nehru was in charge of foreign affairs and, I think, within a couple of days of his assuming this office, he broadcast from the All India Radio, in which he said that: India would be friendly with that great country, the United States, with that great country, the Soviet Union; India wants to be friends with everyone. India hates war; India wants peace and wants to enlarge the area of peace, and wants economic cooperation. I think in a few simple words he spelt out, I should say, within a few hours of assuming office, not as Prime Minister, but I say, the potential Prime Minister, the policy which he was to follow for the next nearly 17 years, as the Prime Minister of India. I feel that in 1947, the political situation was very different; the Chinese Revolution had not yet been completed. The formation of the blocs also, possibly, had not taken the shape which it was to take later on and, therefore, Mr. Nehru's main impulse, main inspiration for this policy was his desire for peace and, I feel, there was this

inspiration from Gandhi and his own hatred of war and violence and his great anxiety that, after what the world had suffered in the Second World War, something could be done to raise the living standards in Asia and there should be time to reconstruct Europe, and so on. Now, I wanted to mention this at length because when, later on, he repeated the same policy in different words and when it came to be known as "non-alignment" - that was not his word really; it was just coined I think at the U.N. - and when he spelt out this policy, it was not very popular either with the Soviet Union, at that time under Stalin, or with the United States under Dulles, who was the Secretary of State, but Mr. Nehru felt that if the two Super Powers and the two blocs were going to compete with each other, it would be a good thing if they competed in a larger area of peace, for constructive purposes and he encouraged the idea of all the advanced countries helping the developing countries. And you have rightly said, Sir, that the great powers, the Soviet Union, the Federal Republic of Germany, Great Britain and all these countries, left their visiting cards in the form of steel plants. So, this idea of co-operation for constructive purposes was at the back of Mr. Nehru's mind all the time.

Erhard Well, I do not remember what words were used at that time, whether this was non-alignment or whether the concept was given a different name, but that did not matter. It was quite clear that he wanted to see a world of peace, that he did not want to align to one bloc or the other, because he considered that to be a dangerous development and a dangerous situation, and he wanted two blocs to co-operate and to be aware of their obligations towards the world as a whole. On the other hand, he was not a dreamer; he was aware that the German policy would have to take a different line, a different approach, because it was quite obvious that as the situation was at that time, under the circumstances, Germany could not remain, so to speak, a white spot on the map, in an area where there were very strong political ties, and he fully respected the fact that German policy was aiming at increasingly close ties with the West. He appreciated that and he fully respected it. Well, there was no other way open at that time, and I do hope that it will be so in future.

I would also like to make one point. I met again with Mr. Nehru when he was here in Bonn,

and when he was here in Germany, he behaved and he moved about as naturally as in India and very convincingly so. It was the very same man; it was the same prime minister; the same figure, the same man, self-relying man of whom you felt he had found his own centre within himself, and that impressed me very much. He was a man of great tolerance, a man of great understanding. As regards the German policy pursued at that time, he praised it; of course, I would not say that, this is not customary among statesmen and politicians and this would not have been his business, but he showed understanding for the orientation of German policy.

Nanda May I ask you if you have any recollections of a personal nature, non-political, during meetings with Mr. Nehru, anything which might have amused you?

Erhard Well, I have a personal memento of his; this is upstairs in my room and this is an ivory box. He presented me and his visiting card is still in the box.

Nanda One last question, if I may put it that way, one of the last questions : Mr. Nehru as we see him in India, and I think many people abroad would see it, spent the best years of his

life, his youth and right up to the middle age, he was fighting against imperialism, against colonialism and India's example helped the rest of Asia and Africa in the process of liberation. This was something very near to Mr. Nehru's heart and we find it in his writings, in his Autobiography, in his Glimpses of World History. The second great aim, the second great ideal which was near to his heart was the raising of standards of living of the people in these countries, and for 17 years when he was the Prime Minister of India, he did what was in his own power, to do something towards this end, but he saw it in a much larger perspective. He thought that India's case was not an isolated one; there were many other countries in Asia and Africa, Latin America, which needed to raise the standards of living of their people, and I think, his own efforts contributed something to the international co-operation between the industrialised West and, should I say, the under-developed countries of the other half.

As you look back, Sir, on this quarter of a century, in which you have played a very great part yourself in the German miracle of reconstruction, and the great things you have done in your own country and you have seen happen, do

you envisage any substantial improvement, increase in this co-operation to make the tasks of the less-developed half of the world, easier in the near future?

Erhard Well, this is a very difficult question to answer. If you want us to use big words, I mean, if one really wants to give a realistic reply to your question, we are living in a time, as you know, where the international monetary system has been severely dislocated and upset and this, of course, affects the developing countries, and the question arises, are the industrialised countries or the wealthy countries for that purpose, given their relatively small number, in a position to set aside so much that it will help the enormous, the very many people in the developing countries? And are we in a position to render that support and that assistance to them which will ensure peace in a time when this is a relevant political problem? Of course it is quite clear that one cannot say in a 100 years from now the problems will be solved. We cannot wait that long; we must be aware that we can be faced with an explosion any moment. Now, looking back over the period you mentioned, I could say that the pressure exercised by the developing countries has been accepted and

measures have been taken in order to meet their requests, but I wonder some times whether the monetary steps and measures that have been taken for that purpose were not a bit too much for the capital resources available to the developed countries and whether this was not helped also to set in motion, as a contributing factor, the inflationary tendency and this is a great danger not only for the countries concerned, the receiving countries, but also for the donor countries, and I think the more we try to take our recourse to inflationary measures in the industrialised countries, I think, the greater is a danger that the structure of these countries, the social structure, the political structure of these countries may be jeopardized,not to say upset. Of course, I do not know whether there is any panacea for this problem, but there is this problem with which we have to live, to which we have to find a solution. What can we do in order to help the poorer people and in order to ensure peace in the world? Sometimes, I am really worried and greatly concerned whether the course we are taking at present, will be a good one, or whether we would not be beset by evil developments which will not only be

disastrous for the developing countries but would also bring chaos to the industrialised countries. This is a rather gloomy view, I admit, but I am not so pessimistic; I am rather optimistic enough not to believe that this will be bound, that this will be the course which developments will inevitably take. What I have in mind, what we should aim at, is to find the way leading towards more equality, and by equality I do not mean levelling up, but equality, and this way, this road has not been found yet. Perhaps, the application of modern technology, of modern natural sciences, may bring us nearer to this objective, nearer to the time where there will be more understanding among nations and where there will be more equality and this way also better prospects for peace but I admit this is not the full answer to your question yet, and I am afraid I cannot give you the last and the full answer to it.

Nanda I am deeply grateful to you, Sir, for such a patient and lucid exposition of the several points I raised. I shall treasure the memories of this visit.

Thank you.